

Fairfax County Economic Index

Volume VII, Number 8

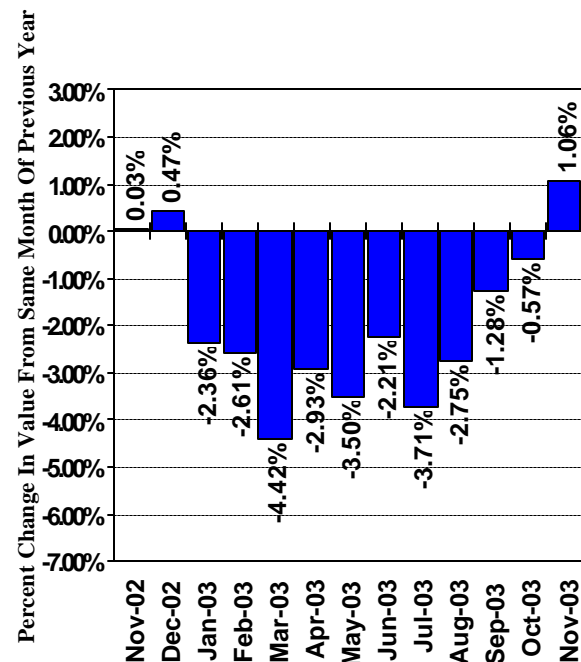
January 2004

The Fairfax County Economy Continues to Expand

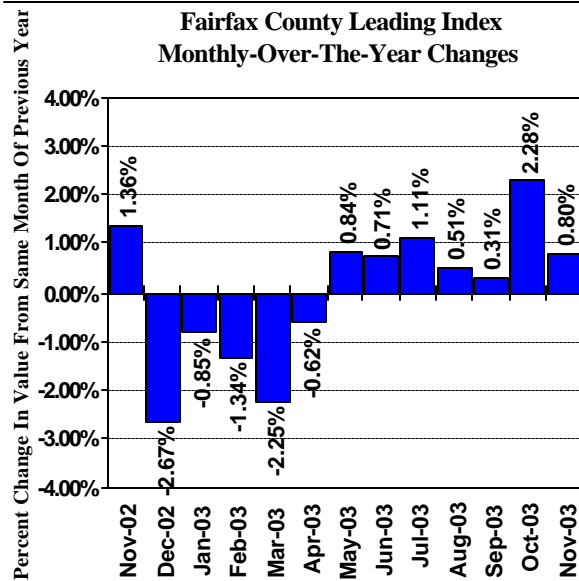
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased in November to 127.0, for a gain of 1.09 percent. The Index has now been positive for four months in a row and for the first time in ten months was positive on a monthly over-the-year basis. With November's gain, the Index value has moved substantially higher than the 12-month moving average trend line; that is, the economy's current performance is stronger than its average performance over the past year and, as a result, the historic trend line has turned positive. Two of the Index's four components were positive in November.

- Consumer confidence (in the present) gained for a third month; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, registered a strong increase and has been positive for three of the past four months; while,
- Total employment fell marginally (- 0.01%) recording its first monthly loss after nine monthly gains; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, declined for the second time in three months.

**Fairfax County Coincident Index
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University



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The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, decreased marginally to 105.45 in November for a loss of 0.03 percent. November's decrease followed a strong gain in October extending the Index's recent pattern of small monthly decreases. However, even with these recent declines, the Leading Index is up 0.8 percent for the year and it has now exceeded same-month levels in 2002 in each of the last seven months. As a result, the Index's 12-month moving average trend has turned positive and continues to move higher. In November, four of the Index's five components contributed to its decline.

- New automobile registrations decreased in November following October's strong gain;
- Consumer expectations (consumer confidence six months hence) fell slightly after their sharp increase in October;
- Residential building permits fell after gaining in the two previous months; and
- The total value of residential building permits decreased for the fifth time in six months; while,
- Initial claims for unemployment insurance fell (improved) and have now dropped in six of the last seven months.

Fairfax County's economic expansion gained further momentum in November even though some indicators turned slightly negative. The longer-term growth trend continues to move higher with the Coincident Index, which measures the economy's current performance, regaining much of its decline experienced during 2001 and 2002.

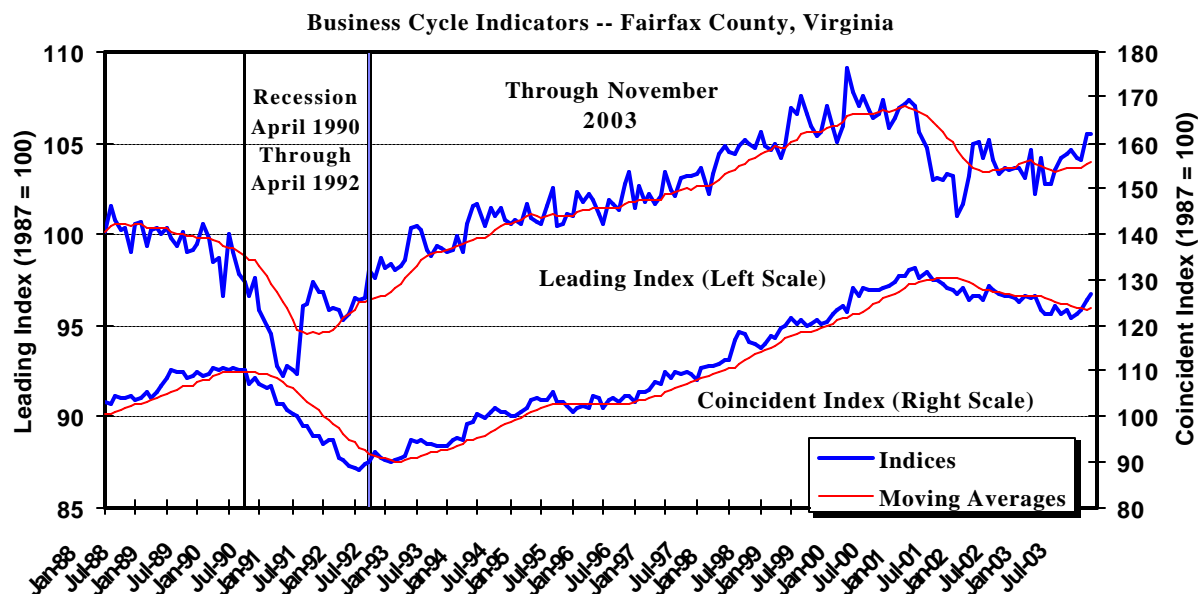
As of November's reading, the Index's 12-month trend line is just 3 percent off its peak value registered in July 2001. The Leading Index has moved higher for a seventh month and now is running ahead of its same-month levels from 2002 with its trend line just 2.8 percent below its peak level achieved in July 2000.

CURRENT CONDITIONS

Proof of the Fairfax County's economic recovery is seen in the Coincident Index exceeding its same-month value in 2002. In November, for the first time in eleven months, the Index was positive on a monthly over-the-year basis. This gain comes after the Index increased for four consecutive months and for five of the last six months on a month-to-month basis after decreasing in three of the year's first five months. The economy's recovery was set back during the first quarter of 2003 as a result of an unusually cold and wet winter and growing anxiety concerning the war in Iraq.

Since mid-year, both the national and County economies have regained the traction lost at the beginning of the year and have surged ahead with income and output growing at near-record rates. However, in spite of the economy's turn around, some of the key indicators that have been historically relied upon for tracking the economy have been weak or negative. Most notably, job growth (from the payroll survey) and consumer confidence appear to be under-stating actual conditions.

The county's labor market has been one of its bright spots throughout the long economic slowdown. Unemployment never did move to levels that would be considered problematic but did increase from the 1 percent range at the peak of the economy in 2000 to the low 3 percent range at the low point in the aftermath of 9/11. In November of 2002, unemployment was down to 2.5 percent and, in the



Source: Center for Regional Analysis, George Mason University

year since, it has dropped to 2.0 percent. This compares to 5.9 percent nationally and 3.1 percent for the Washington metropolitan area. The most dynamic measure of the labor market is initial claims for unemployment insurance. Monthly change in “initial claims” indicates if existing firms are laying off workers. In Fairfax County, initial claims declined from 1,580 in November 2002 to 1,001 in November 2003, a decrease of 36.6 percent.

Job growth measures have also been largely positive for the year. Payroll employment (jobs in the County) fell slightly in November from October but for the year are up 1.7 percent. The number of employed residents (regardless of place of employment) provides another measure of job growth. Over the year, the number of employed residents increased by 14,193 for a gain of 2.6 percent; the number was also up in November from October by 1,893.

Consumer spending represents the other side of the economic equation. While the County has gained workers and jobs and, as a result, increased disposable income, sales tax receipts have fluctuated widely with strong monthly gains being off-set by equally strong monthly declines. Some of these declines have resulted from the weather (the blizzard in February and Tropical Storm Isabel in September) and

some by anxiety relating to the war on terrorism (Iraq). In November, despite a decrease from October, same-month sales tax collections were up 22 percent from November 2002.

NEAR-TERM OUTLOOK

These monthly and yearly patterns show that the County economy is strong and gaining strength and that monthly patterns can be distorted by short-term events that have little or no long-term impact on the growth trend. With the national economy booming and the Washington metropolitan area economy registering strong growth, Fairfax County’s economy will be experiencing similar but even stronger growth over the next year building on 2003’s performance. With final year-end revisions not being available until almost mid-year, it is important to understand that currently available data are most likely under-reporting actual conditions.

The Leading Index continues to point to an accelerating expansion. Even though its individual indicators declined slightly in November, the trend is positive with the Index registering higher values in each of the last seven months compared to 2002. This upward trend is a strong signal that the economy will grow even faster in 2004.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-03 Prelim.	Oct-03 Final	Nov-02 Final	Oct-03 to Nov-03	Nov-02 to Nov-03
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	127.00	125.63	125.67	1.09	1.06
Leading Index (1987 = 100)	105.45	105.48	104.61	-0.03	0.80
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	595,539	595,579	585,482	-0.01	1.72
<i>Total Covered Employment (Unadjusted)</i>	<i>599,601</i>	<i>595,555</i>	<i>589,475</i>	<i>0.68</i>	<i>1.72</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	314	255	316	23.10	-0.80
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>536</i>	<i>466</i>	<i>523</i>	<i>14.97</i>	<i>2.37</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,513	10,108	6,863	-15.77	24.05
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,794</i>	<i>11,960</i>	<i>8,838</i>	<i>-9.75</i>	<i>22.13</i>
South Atlantic Consumer Confidence	103.6	93.2	98.1	11.16	5.61
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,035	8,236	5,134	-26.72	17.54
<i>Automobile Registrations (Unadjusted)</i>	<i>5,367</i>	<i>4,840</i>	<i>4,566</i>	<i>10.89</i>	<i>17.54</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,112	1,532	1,755	-27.42	-36.65
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,001</i>	<i>1,409</i>	<i>1,580</i>	<i>-28.96</i>	<i>-36.65</i>
South Atlantic Consumer Expectations (Unadjusted)	101.3	102.0	97.2	-0.69	4.22
Residential Building Permits (Number of Units, Seasonally Adjusted)	298	335	1,034	-11.10	-71.19
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>263</i>	<i>364</i>	<i>913</i>	<i>-27.75</i>	<i>-71.19</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	22,036	24,195	29,808	-8.92	-26.08
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>33,471</i>	<i>44,201</i>	<i>43,873</i>	<i>-24.28</i>	<i>-23.71</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	579,905	579,475	568,208	0.07	2.06
<i>Total Labor Force (Unadjusted)</i>	<i>575,996</i>	<i>574,541</i>	<i>564,378</i>	<i>0.25</i>	<i>2.06</i>
Employed Labor Force (Seasonally Adjusted)	567,608	567,503	553,333	0.02	2.58
<i>Employed Labor Force (Unadjusted)</i>	<i>564,371</i>	<i>562,473</i>	<i>550,178</i>	<i>0.34</i>	<i>2.58</i>
Unemployed Labor Force (Seasonally Adjusted)	12,297	11,972	14,874	2.71	-17.33
<i>Unemployed Labor Force (Unadjusted)</i>	<i>11,625</i>	<i>12,068</i>	<i>14,200</i>	<i>-3.67</i>	<i>-18.13</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.12	2.07	2.62	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.02</i>	<i>2.10</i>	<i>2.52</i>	<i>--</i>	<i>--</i>

Notes: Where available, seasonally adjusted estimates are used in the indices. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Prepared by:
Center for Regional Analysis
George Mason University
<http://cra.gmu.edu>

We are on the web at:
[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)

Inquiries should be directed to:

The Fairfax County
Department of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)